

# TAX POLICY AND APPEALS DIVISION

## SALES TAX

### INFORMATION BULLETIN #48A

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DISCLAIMER: Informational bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules and court decisions. Any information that is not consistent with the law, regulations or court decisions is not binding on either the department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

SUBJECT: SALES TAX APPLICATION TO THE VETERINARY PROFESSION

#### I. DEFINITIONS

##### Legend Drugs.

As used in this bulletin, the term Alegend drug~~@~~ or Afederal legend drug~~@~~ shall mean a drug which has the legend ~~A~~may only be dispensed by a veterinarian,~~@~~ ~~A~~may only be sold through a veterinarian,~~@~~ ~~A~~may only be sold by prescription,~~@~~ or words to that effect. If the drug carries the legend, it does not matter if the drug may be procured in a form which does not carry the legend.

##### Licensed Practitioner.

As used in this bulletin, the term Alicensed practitioner~~@~~ shall mean a veterinarian licensed by the State of Indiana to prescribe, dispense, and administer drugs, medical equipment or other supplies to animals in the ordinary course of their professional practice.

##### Licensed Dispenser.

As used in this bulletin, the term Alicensed dispenser~~@~~ shall mean only those persons licensed or registered by the State of Indiana to fit and/or dispense medical equipment, medical devices, drugs, or other medical supplies upon the prescription of a licensed practitioner.

##### Prescribe.

As used in this bulletin, the term Aprescribe~~@~~ shall mean the issuance by a licensed practitioner of a certificate in writing, or a notation in the patient's medical record that the use of the drugs and medications, vaccines, medical equipment, medical supplies, and medical devices is necessary to the

patient in order to correct or alleviate a condition brought about by injury to, malfunction of, or removal of a portion of the patient's body.

#### Client.

As used in this bulletin, the term **Client** shall mean the person or persons responsible for the patient's daily care.

#### Patient.

As used in this bulletin, the term **Patient** shall mean any animal, bird, fish that is examined, diagnosed or treated by a licensed practitioner.

## II. SALES OF MEDICAL EQUIPMENT, DEVICES, DRUGS, AND OTHER SUPPLIES

### A. Sales to Clients.

The following sales and/or rental of medical equipment, devices, drugs, and other medical supplies are exempt from Indiana Sales or Use Tax provided such medical equipment, etc., is prescribed by a licensed practitioner.

- (1) Sales of drugs by a registered pharmacist or by a licensed practitioner. (See Section IV for definition of sales)
- (2) Sales of other medical equipment, vaccines, medical supplies and or devices, which are required to correct or alleviate injury to, malfunction of, or removal of a portion of the patient's body.
- (3) Sales of attachments or accessories to above medical equipment.

In addition, the following sales to clients are exempt:

- (1) Sales of insulin, oxygen, blood, or blood plasma if purchased for medical purposes.
- (2) Sales of syringes or other instruments used to administer insulin.

### B. Sales to Licensed Practitioners.

In general, all purchases of tangible personal property by a licensed practitioner are subject to sales tax. However, an exemption is afforded to sales of certain drugs, vaccines, insulin, oxygen, blood, or blood plasma.

Sales to licensed practitioners of federal legend drugs, insulin, oxygen, blood, or blood plasma are exempt from the sales tax if the practitioner buys such items for direct consumption in the course of rendering professional service.

Drugs, insulin, oxygen, blood, and blood plasma consumed in the course of rendering professional services are those drugs, etc., that are administered by a licensed practitioner or agent including the

furnishing of such drugs, etc., as a part of a single charge for professional service.

When veterinarians purchase food for use in feeding animals or other pets kept on the premises sales tax is due at the time of purchase. Sales tax must be collected on pet food and supplies sold for use on healthy patients. Charges made by the veterinarian for housing such animals are not taxable. However, prescription diets, those diets necessary to correct or alleviate a particular medical condition, are not taxable. Maintenance diets, diets to maintain an animal's good health are taxable.

### III. GENERAL PURCHASES BY LICENSED PRACTITIONERS.

Sales tax shall apply to the following purchase transactions made by licensed practitioners.

- (1) All office furniture, equipment and supplies.
- (2) Non-legend drugs, when not purchased for resale. (See Section IV.)
- (3) Surgical instruments, equipment and supplies.
- (4) X-ray, diathermy, diagnostic, equipment, or any other apparatus used in the practice of surgery or medicine.

If the purchase of taxable items by the practitioner is made outside the State of Indiana and sales tax is not charged thereon, the purchaser becomes liable for the use tax and must remit it directly to the Department of Revenue. A practitioner who is a registered retail merchant should report the use tax on the sales tax return. Otherwise the tax may be paid along with the annual income tax return.

### IV. REGISTRATION REQUIREMENTS: RENDERING PROFESSIONAL SERVICE

The rendering of professional service by a licensed practitioner is not subject to Indiana Sales Tax. A licensed practitioner is not required to become registered as an Indiana Retail Merchant provided the practitioner is not engaged in making retail sales.

A licensed practitioner who purchases tangible personal property subject to sales tax (such as nonprescription drugs, bandages, etc.), but intends to resell such property to a patient, may make such purchases exempt from sales tax by using an Indiana exemption certificate.

In order to resell such items, the practitioner must be licensed as a retail merchant and must quote the selling price of any items separately from the charge for professional service. Sales tax must then be collected from the client on the separately stated charges for such items.

The fact that a professional practice is carried on through the formation of a corporation does not change the status of professional services rendered in relation to sales tax liability or exemption.

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John R. Gildea  
Commissioner